

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place  
Harrisburg, Pennsylvania 17101-1923  
(717) 783-5048  
800-684-6560

FAX (717) 783-7152  
consumer@paoca.org

June 6, 2016

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

Re: Petition of Duquesne Light Company for  
Approval of a Default Service Plan for the  
Period from June 1, 2017 through May 31,  
2021  
Docket Nos. P-2016-2543140

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Answer,  
Notice of Intervention, and Public Statement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

/s/ Kristine E. Marsilio

Kristine E Marsilio  
Assistant Consumer Advocate  
PA Attorney I.D. #316479

Attachment

cc: Honorable Conrad A. Johnson, ALJ  
Certificate of Service

221765

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company	:	
For Approval of Default Service Plan	:	P-2016-2543140
For the Period June 1, 2017	:	
Through May 31, 2021	:	

---

ANSWER OF THE  
OFFICE OF CONSUMER ADVOCATE

---

I. INTRODUCTION

On May 2, 2016, Duquesne Light Company (Duquesne Light or the Company) filed a Petition with the Pennsylvania Public Utility Commission (Commission) for approval of its eighth default service plan (DSP) for the period June 1, 2017 through May 31, 2021, as well as approval of the Company’s (i) Time-of-Use (TOU) Program, (ii) Standard Offer Program (SOP), (iii) Customer Assistance Program (CAP), and other approvals required for the implementation of the DSP. This filing has been made pursuant to the requirements of Act 129 of 2008 (Act 129), the Commission’s Default Service Regulations, the Commission’s Policy Statement on Default Service, and related Commission Orders. The Office of Consumer Advocate (OCA) files this Answer to the Company’s Petition to ensure that a reasonable DSP is approved that fully complies with Act 129 and the Commission’s Regulations.

In its Petition, Duquesne Light proposes that default service for residential customers be supplied through a combination of 12-month and 24-month, laddered supply contracts. Petition at ¶ 8. Specifically, the Company proposes a product mix consisting of 50% laddered, one-year, fixed-price full requirements (FPFR) supply contracts and 50% laddered,

two-year, FPFRR supply contracts procured through semi-annual competitive requests for proposals (RFPs). Petition at ¶¶ 8, 9. Under the Company's proposal, the RFPs for Residential customers will include the procurement of energy, capacity, ancillary services, losses, alternative energy requirements, and other costs and risks. Petition at ¶ 8. The Company proposes to procure four (4) residential contracts with delivery periods that extend beyond the end of the DSP period. Petition at ¶ 10. Additionally, Duquesne Light proposes to use the standard default service Supply Master Agreement (SMA), with a few modifications, for its wholesale power procurement under the DSP. Petition at ¶ 15.

In its Petition, the Company proposes specific competitive procurement guidelines. Specifically, Duquesne Light proposes that no one supplier should be awarded more than 50% of the tranches available for the residential procurement class in any RFP. Petition at ¶ 35. Moreover, Duquesne Light proposes to engage an independent third party for assistance in qualifying bidders; conducting bidder information sessions; and receiving all bids, ranking bids, and determining winning bids for all four procurement groups. Petition at ¶ 36. All winning bids will be submitted to the Commission for approval prior to award. Petition at ¶ 36. Within fifteen calendar days from the closing of each solicitation, Duquesne Light will post the weighted average winning bid price and a default service rate calculation model on its website. Petition at ¶ 37. The Company will also post the Price-to-Compare (PTC) 60 days in advance of each change in default service rates, with the exception of the application periods beginning June 1 of each year. Petition at ¶ 37.

In the event that an RFP fails to attract a sufficient volume of bidders, or the Commission does not approve the submitted bids, or an accepted supplier defaults, Duquesne Light proposes to procure supply on an interim basis through purchases in the PJM spot market

and to recover all costs from the applicable customer class. Petition at ¶ 38. Within 15 days after any such occurrence, Duquesne Light will submit to the Commission a contingency plan to handle any default service shortfall. Petition at ¶ 38.

Duquesne Light proposes that it will recover the full cost of RFPs for residential customers, gross receipt taxes, and the costs of administering the RFPs and hiring the independent monitor through fully reconcilable cost recovery mechanisms for each class. Petition at ¶ 46. Additionally, the Company proposes to unbundle the recovery of costs incurred from external legal and consulting services to prepare and obtain approval of the default service plan from base rates to Default Service Supply (DSS) rates. Petition at ¶ 49. The Company also proposes to move recovery of the cash working capital costs associated with default service from base distribution rates to DSS rates. Petition at ¶ 49. If the Company incurs any additional costs relating to default service, the Company proposes to recover those costs through applicable DSS rates as well. Petition at ¶ 49. The Company proposes to use the four-year revenue requirement for unbundled costs as the actual expense to recover. Petition at ¶ 52.

Duquesne Light also proposes semi-annual reconciliation of Residential procurement group default service costs and revenues along with semi-annual rate changes. Petition at ¶ 11. As such, in its Petition, the Company requests a waiver of 52 Pa. Code Section 54.187 (providing that default service rates may not be adjusted more frequently than on a quarterly basis) to allow for six-month residential supply rate changes. Petition at ¶¶ 11, 63.

Additionally, Duquesne Light proposes to continue its current Standard Offer Customer Referral Program (SOP). Petition at ¶¶ 58-60. Currently, the Company does not use a third party vendor for SOP enrollment. Petition at ¶ 60. The customer acquisition fee is paid for by participating EGSs and is currently \$10.28 per enrollment. Petition at ¶ 59.

In its Petition, the Company also proposes to offer eligible customers a Time of Use (TOU) rate. Petition at ¶¶ 53-56. The Company intends to make a TOU filing to the Commission in November 2016 describing the results of this year's TOU program. Petition at ¶ 56.

Finally, the Company indicates in its proposal that it supports the extension of shopping to CAP customers with certain customer protections and conditions. Petition at ¶ 62. The Company provides that if certain customer protections are adopted and implemented, CAP credit will be applied to the distribution, transmission, and supply portion of the bill in the same manner for CAP shopping customers as for CAP customers on default service. Petition at ¶ 62.

## II. ANSWER

The OCA has preliminarily reviewed the Company's Petition and identified a number of significant issues presented by the filing. The OCA anticipates that additional issues will arise as a more comprehensive review of the Company's filing is undertaken and after discovery is conducted. The preliminary issues identified by the OCA include the following:

### A. Procurement Methodology

The OCA submits that further consideration must be given as to whether the proposed purchasing plan will provide the least cost over time for residential customers in accordance with the requirements of Act 129. The OCA intends to examine the type and mix of resources being procured to ensure that the products and plan are designed to meet the requirements of Act 129.

The OCA further submits that the Company's proposed choice of residential products and the Company's proposed procurement methods must be thoroughly reviewed in the hearing process. The Commission must ensure that the procurement methodology adopted in

this proceeding is consistent with the Public Utility Code and is designed to provide the least cost reliable supply, taking into account price stability for customers over time.

B. Contingency Plan

The OCA submits that the Company's contingency plan in the event that its plan to bid supply contracts to third party suppliers fails must be thoroughly reviewed in the hearing process to ensure that it does not rely too heavily on spot market purchases.

C. Rate Design and Cost Recovery

The OCA intends to carefully examine the reasonableness of the Company's proposals relating to rate design and cost recovery, the necessity of waiver of 52 Pa. Code Section 54.187, and the impacts of the Company's proposals on consumers. Additionally, the OCA will review the Company's proposed modifications and adjustments to cost recovery, including the Company's proposal to move the recovery of cash working capital costs and other costs related to default service from base rates to DSS rates.

D. Supplier Master Agreement

The OCA submits that the proposed SMA must be thoroughly analyzed to ensure its compliance with the Public Utility Code and to ensure that such a plan does no harm to default service, consumers, or the retail competitive market.

E. Standard Offer Customer Referral Program

The OCA submits that the Commission should review Duquesne Light's proposed SOP and the costs that may arise from the SOP to ensure that such a program is still reasonable, cost-justified, and that the costs are still allocated appropriately among stakeholders.

F. Time of Use Rates

The OCA submits that the Company's proposed TOU program must be examined in order to ensure that it continues to meet the needs of ratepayers while maintaining compliance with existing laws and the Commission's regulations.

### III. CONCLUSION

WHEREFORE, the Office of Consumer Advocate respectfully submits that the Company's default service filing must be thoroughly reviewed to ensure that the default service rates that will be charged starting June 1, 2017, and all other programs proposed in the Petition, are just and reasonable and otherwise consistent with Pennsylvania law.

Respectfully Submitted,

/s/ Kristine E. Marsilio  
Aron J. Beatty  
PA Attorney I.D. # 86625  
E-Mail: [ABeatty@paoca.org](mailto:ABeatty@paoca.org)  
Senior Assistant Consumer Advocate

Kristine E. Marsilio  
PA Attorney I.D. # 316479  
E-Mail: [KMarsilio@paoca.org](mailto:KMarsilio@paoca.org)  
Assistant Consumer Advocate

Counsel for:  
Tanya J. McCloskey  
Acting Consumer Advocate

Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152

Dated: June 6, 2016

221901

CERTIFICATE OF SERVICE

Petition of Duquesne Light Company :  
For Approval of Default Service Plan : P-2016-2543140  
For the Period June 1, 2017 :  
Through May 31, 2021 :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer, Notice of Intervention, and Public Statement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 6<sup>th</sup> day of June 2016.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Gina Lauffer, Esquire  
Bureau of Investigations and Enforcement  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael W. Gang, Esquire  
Anthony D. Kanagy, Esquire  
Post & Schell  
17 North Second Street  
12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
*Duquesne Light Company*

Tishekia Williams, Esquire  
Duquesne Light Company  
411 Seventh Avenue, 16<sup>th</sup> Fl.  
Pittsburgh, PA 15219

Sharon Webb, Esq.  
Assistant Small Business Advocate  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101  
*Office of Small Business Advocate*

Todd S. Stewart  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17101  
*NextEra*

Patrick Cicero, Esquire  
Elizabeth R. Marx, Esquire  
Joline Price, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101-1414  
*CAUSE-PA*

Charles E. Thomas III, Esquire  
Thomas, Niesen & Thomas, LLC  
212 Locust Street, Suite 600  
Harrisburg, PA 17101  
*Noble Americas*

Colleen P. Kartychak  
Consolidated Edison Solutions  
698 Gamble Road  
Oakdale, PA 15071  
*RESA*

Brain R. Greene  
GreeneHurlocker, PLC  
1807 Libbie Avenue, Suite 102  
Richmond, VA 23226  
*RESA*

H. Rachel Smith, Esquire  
Exelon Business Service Corp.  
100 Constellation Way, Suite 500C  
Baltimore, MD 21202  
*ExGen*

/s/ Kristine E. Marsilio  
Aron J. Beatty  
Senior Assistant Consumer Advocate  
PA Attorney I.D. # 86625  
E-Mail: ABeatty@paoca.org

Kristine E Marsilio  
Assistant Consumer Advocate  
PA Attorney I.D. #316479  
E-Mail: KMarsilio@paoca.org

Counsel for  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
Phone: (717) 783-5048  
Fax: (717) 783-7152  
221927

Pamela Polacek, Esquire  
Teresa K. Schmittberger, Esquire  
McNees Wallace & Nurick, LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
*Duquesne Industrial Intervenors*